



EXECUTIVE SUMMARY

DEPARTMENT OF COMMUNITY AFFAIRS DIVISION OF LOCAL GOVERNMENT SERVICES

July 1, 2019 to June 30, 2022

The Division of Local Government Services provides technical and financial assistance in budgeting, financial reporting, joint services, purchasing, and management issues to all municipalities of the state.

We found that adequate controls were in place at the division to approve and disburse funds for Transitional Aid (TA), Legislative Aid, public health emergency expenses, and other local government grants in compliance with internal requirements and applicable program criteria. Monitoring of local government grants was adequate. In making these determinations, we noted opportunities for improvement in monitoring TA, Legislative Aid, and Coronavirus Relief Fund (CRF) public health emergency expenses. Additionally, ethics complaints were addressed and professional certification program fees were reasonable; however, controls should be improved to ensure compliance with the law regarding the filing of financial disclosure forms for local government officials.

We also made observations regarding the TA program, the review and approval of continuing education courses, and using municipal financial data to create an online data dashboard.

AUDIT HIGHLIGHTS

- We found one municipality received \$8,250,000 in TA without a signed application and memorandum of understanding. These funds were disbursed and not returned by the municipality. Also, four municipalities failed to submit the required letters from the mayor explaining why TA requested was not reduced from the previous year. Additionally, the division could not provide a methodology for how supplemental TA funds totaling \$106.5 million were allocated or how projects were selected.
- We found expenses totaling \$1.7 million from the CARES Act CRF that appear inconsistent with the program guidelines issued by the U.S. Department of the Treasury.
- We found required reports are not being completed to track spending and progress of Legislative Aid projects. Only two of nine grants had all the required quarterly progress reports on file, and none had a final report.
- We observed TA payments intended to provide short-term relief to municipalities with severe structural budget deficits may be perceived as long-term budgetary supplementation. During municipal reporting years 2016 to 2022, TA awards were made to 14 municipalities, of which 7 received TA awards during the entire seven-year period. Four of these municipalities have been receiving TA continuously since 2011.

AUDITEE RESPONSE

The department generally concurs with our findings and recommendations.

For the complete audit report or to print this Executive Summary, click on the attached files.